

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 487 - SB 1234

March 12, 2017

SUMMARY OF BILL: Removes the amusement tax on dues or fees to membership sports and recreational clubs.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – \$12,435,400

Decrease Local Revenue – \$4,289,300

Assumptions:

- The effective date of July 1, 2017.
- Pursuant to Tenn. Code Ann. § 67-6-212(a), the amusement tax is equal to the state and local sales and use tax levied on the sale of tangible personal property at retail. The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent.
- Fitness and recreational sports centers are estimated to pay \$15,740,959 in state sales tax and \$5,429,450 in local sales tax in FY17-18. These numbers are assumed to remain constant in subsequent years under current law.
- The 2012 Economic Census reports that membership revenue accounted for approximately 79 percent of total revenue of fitness and recreational sports centers.
- The recurring decrease in revenue is estimated to be \$12,435,358 for the state (\$15,740,959 x 79.0%) and \$4,289,266 for the local government (\$5,429,450 x 79.0%).
- Any increase in state and local sales tax revenue as a result of tax savings being spent in the economy on sales-taxable goods and services is estimated to be not significant because any tax savings to any one individual is expected to be relatively small and due to the possibility that some sports and recreational clubs could increase dues or fees in attempts to capture the savings as additional profit.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/bs